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THE PROSPERITY® CONSULTING GROUP, LLC
A WEALTH MANAGEMENT COMPANY

The Prosperity Press

A quarterly publication providing you with invaluable information in financial planning, wealth management, taxes and so much more!

Will Your Assets Last Through Retirement?

These key factors will help determine if your retirement plan is on track!

You work all your life in hopes that one day you can enjoy the benefits of your hard work and retire. While this is something we all look forward to, instead of it being a happy time, it can be scary and stressful. There are so many uncertainties that go with retirement. Having a plan that is updated each year, and designed to keep you on track, can be a great way to plan for your future. We strive to give our clients security when it comes to planning for retirement. Below are key factors that will help determine if your retirement plan is on track!

Net Worth Statement
The foundation of any retirement plan is having a Net Worth Statement showing all assets and liabilities. This includes bank and investment accounts, properties and outstanding loans. Assets are categorized are either qualified or non-qualified. This is to separate those assets that you'll have to pay taxes on the withdrawals.

Investment Portfolio
It's important to have a well-diversified portfolio when going into retirement. You can handle market swings when you are younger. However, as you approach retirement you have less time to recoup losses. Adjusting your investment portfolio to meet your needs in retirement is an important task we handle for our clients.

Income and Social Security
A retirement plan shouldn't be thought about just when you're nearing retirement. It should be thought about in preparation for retirement – the sooner the better! We factor in the income that you are currently making, when you would like to retire and what income you will have during retirement. Pensions and Social Security play a key role in retirement income. We also evaluate how to maximize your Social Security given your situation and help guide you through that process.

Life Expectancy
While none of us have a crystal ball telling us how long we're going tolive, on average we are living longer. According to the Social Security Administration, a man reaching age 65 today can expect to live, on average, until age 84.3. A woman turning age 65 today can expect to live, on average, until age 86.7. This is just the average, about one in four 65-year olds today will live past 90. With this in mind, we analyze our client's retirement projections to age 95 or 100.

Spending
This is usually a hard one for clients. How much do you spend each month and on what? While some clients have elaborate spreadsheets and consistently track their spending, others don't want to think about it. Looking at how you are spending your money each year will give us an estimate of how much income you'll need in retirement while factoring in inflation. We look at what you're going to need to take from your assets outside of the income you'll receive from Social Security, Required Minimum Distributions (RMDs) and a pension (if you're one of the lucky ones!). It's also important to factor in health care costs in retirement. With life expectancy increasing along with health care costs, this will likely be a heavy area of spending.

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Prosperity in the News & Community

BALTIMORE
BUSINESS JOURNAL

July 2019 - Partner & Financial Advisor, Lauren Rebbel, was published in the Baltimore Business Journal : Don't Take a Back Seat When It Comes to Your Family's Finances

BALTIMORE
BUSINESS JOURNAL

July 2019 - Partner & Financial Advisor, Lauren Rebbel, was published in the Baltimore Business Journal : How Davis-Bacon Plans Can Save Contractors Money

Summer 2019 - We hope everyone had a wonderful summer!

What Happens to a 529 Plan If Your Child Doesn't Go to College?

Many parents envision their children attending college. While you can diligently save you can't predict what their wishes, interests or goals will be once they graduate high school. This leaves families with questions of what happens to a 529 plan if your child decides not to go to college, gets a full scholarship or opts for alternative higher education, such as a trade school or community college.

What happens to a 529 plan if your child doesn't go to college?
Traditionally, 529 plan assets can be used for post-secondary education. This of course includes four-year colleges and universities, but also qualifying two-year associate degree programs and trade schools. 529 plan assets can also be used at qualifying schools in the United States and abroad. However, the recent tax law expands on the benefits of 529 plans. Owners of plans are now able to withdraw up to $10,000 per year tax-free on private elementary school and secondary school expenses, including tuition and books.

How do I know if my child's choice school qualifies for 529 assets?
Typically, if a school is eligible to participate in student aid programs for the Department of Education, then you can use 529 plan assets to pay for tuition there. Savingforcollege.com has an easy to use online tool you can use to see if your institution is 529 eligible.

What if my child opts out of post-secondary education all together?
If your child chooses not to attend post-secondary education, and you have not used the funds for elementary or secondary school expenses, you still have options. If you opened the account for a specific child, the account belongs to you and you have the right to change the beneficiary. The new beneficiary must be a family member, or it can even be yourself. Most plans allow you to change the beneficiary once a year, so you can even convert it back to your child if their plans change.

You can also use the assets of a 529 plan for something other then qualified education expenses, but not without penalty. You will have to pay federal income taxes on the gain and a 10% penalty on the earnings.

What happens if my child attends post-secondary education, but has a scholarship?
529 plan assets can be used on qualified expenses beyond tuition, such as required books, fees, supplies, computer-related expense, and room and board for a student who is at school at least half-time.

Scholarships provide an exception to the 10% penalty rule. If your child has a scholarship, non-qualified withdrawals up to the amount of the tax-free scholarship can be taken out penalty-free. However, you will still have to pay income tax on the earnings. This is essentially turnings your tax-free investment into a tax-deferred investment.

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